

STATEMENT OF THE
DIRECTOR
FOR
CIVILIAN PERSONNEL POLICY
RONALD P. SANDERS
HEARINGS BEFORE THE
SUBCOMMITTEE ON
READINESS

HOUSE COMMITTEE ON ARMED SERVICES
"DEPARTMENT OF DEFENSE CIVILIAN PERSONNEL MANAGEMENT"

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PERSONNEL AND
READINESS

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BIOGRAPHICAL SUMMARY

DR. RONALD P. SANDERS

Dr. Ronald P. Sanders is currently Director of Civilian Personnel Policy for the U.S. Department of Defense; as DoD's senior career human resource management executive, he also serves as the Director of the newly-established Defense Civilian Personnel Management Service. In these capacities, he establishes policies and directs programs and staff dealing with all aspects of human resource management for DoD's one million civilians, including its non-appropriated fund and foreign national employees. Among other things, Dr. Sanders oversees civilian employment planning, retraining and outplacement assistance; quality and productivity programs; civilian personnel information systems; and discrimination complaint investigations in support of over three hundred civilian personnel offices in DoD.

Dr. Sanders was born May 2, 1951, in Minneapolis and graduated from Palmetto Senior High School, Miami, in 1969. He received a Bachelor of Arts degree in business management from the University of South Florida in 1973, a Master of Science degree in human resource management and industrial relations from the University of Utah in 1976, and a Doctor of Public Administration degree from the George Washington University in 1990. He has been inducted into three national academic honorary societies. Dr. Sanders attended the Massachusetts Institute of Technology's Sloan School of Management as a Senior Executive Fellow in 1987 and completed a congressional fellowship with Sen. Ted Stevens (R-Alaska) on the Senate Governmental Affairs Committee's Federal Services Subcommittee in 1989.

Prior to his appointment to the Office of the Under Secretary of Defense, Dr. Sanders served as Deputy Director of Civilian Personnel (SES) for the Department of the Air Force, where he was responsible for policies and programs covering its 260,000 civilians. Previously he served as chief of the Air Force's Civilian Personnel Plans and Resources Division, where he was the principal author of PALACE Agenda, that agency's strategic plan for civilian personnel management. He also headed the Air Force's Labor and Employee Relations Division, where he was responsible for dealings with its 170,000 unionized employees.

Appointed as a U.S. Civil Service Commission management intern in 1973, Dr. Sanders began his Federal career as a field examiner with the National Labor Relations Board, Memphis, Tennessee. He served as Labor Relations Manager at the Ogden Air Logistics Center (AFLC) Headquarters, Wright-Patterson Air Force Base, Ohio; in that latter capacity, he was the principal management negotiator for the first nation-wide collective bargaining agreement covering AFLC's 70,000 civilian employees.

Dr. Sanders has been elected to the Board of Directors of the Senior Executives Association and serves as an adjunct Professor of Public Administration for Syracuse University's Maxwell School of Citizenship and Public Affairs. He has received numerous awards for superior performance and was the 1989 recipient of the Air Force's General Robert J. Dixon Award for Manpower and Personnel, the first (and only) civilian to be so honored. In 1987 he was named by the Office of Personnel Management as one of the Federal government's "Top 40" performers under the age of 40.

Dr. Sanders has also been published in several professional and academic journals. He authored a chapter on "Re-Inventing the Senior Executive Service" in Governance and Public Service (Jossey-Bass, 1993), and his research in that area was cited in the Vice President's National Performance Review. In addition, he served as a staff advisor to the National Commission on the Public Service, and his doctoral research, entitled "The Best and Brightest: Can the Public Service Compete?" was published as part of the Commission's final report in 1989.

Dr. Sanders is a certified SCUBA diver and an amateur astronomer and enjoys competitive swimming and weight lifting. He is married to the former Elizabeth Ann Book of Miami, Florida, and they have a son, Matthew.



Statement of the Department of Defense

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me here today to discuss civilian personnel management in the Department of Defense. Our civilian employees are a key component of the Total Force, and even as we dramatically reduce their ranks, we are committed to maintaining a high-quality, motivated, and demographically diverse workforce that will continue to contribute to the readiness of our armed forces.

How will we accomplish this? There are three principal steps to determining the size and composition of our civilian workforce, and these must be effectively integrated if we are to avoid any adverse effects on readiness:

First, as a general proposition, civilian employment in DoD is a dependent variable, a function of military force structure, missions and programs, support infrastructure, and operating tempo; these have been described in the Department's Bottom Up Review (BUR), our strategic blueprint.

DoD's Future Years Defense Plan (FYDP) for FY95-99 translates that blueprint into mission and program budgets, identifies the overall civilian employment targets associated with them, and for the first time calls for detailed Component "rightsizing" plans to achieve those objectives. The FYDP complements the Department's Streamlining Plan, which focuses on the management and administrative functions and processes that must also be re-engineered if we are to maintain readiness.

Finally, these plans must be executed as part of our overall civilian drawdown, a task made easier with the new tools that the Congress has given us.

I would like to describe each of these steps in greater detail, focusing on their implications for our civilian workforce.

First the strategic context. The BUR establishes three overarching goals for the Department. It states that we must: (1) keep our forces ready to fight; (2) sustain the quality of our people, and (3) maintain the technological superiority of our weapons and equipment. With those goals in mind, it goes on to assess the various threats to our national security in the post-Cold War era, articulating the strategies, forces, and systems needed to deal with them. Taken together, these elements provide a framework for civilian employment planning in DoD, one that describes a much smaller, more flexible workforce in support of the Department's changing missions and programs.

As noted, those missions and programs are detailed in the Department's FYDP. It contains three key features that bear on today's hearing:

First, the FYDP calls for the reduction in end-strength of an additional 129,000 personnel from the beginning of FY95 through the end of FY99, bringing the Department's FY89-99 civilian reduction total to over 323,000 employees (or 29% of our FY89 civilian workforce). FY99 civilian end-strength is projected to be about 795,000, compared to 1.12M employees at the beginning of FY90 period, and may even go lower. These figures include the results of the 1988, 1991, and 1993 Base Realignment and Closure (BRAC) commissions, as well as notional figures for the 1995 BRAC. These figures also include foreign national

employees, which have been reduced from approximately 120,000 in FY89 to about 68,000 today; FY99 foreign national employment is estimated at 55,000.

Note here that as part of our companion DoD Streamlining Plan (required by the President to implement the NPR), we also plan to eliminate over 3700 high grade positions. In addition, we will restructure or eliminate almost 70,000 supervisory and management control positions, doubling our supervisory ratio and reducing headquarters and overhead staffs. Taken together, all Department reductions including wage grade translate to almost 60% of the Full-Time Equivalent reduction targets established by the National Performance Review.

Second, the FYDP establishes a general reduction rate of about 2.8% per year (this includes Senior Executive Service and equivalent positions), a pace that is intended to minimize involuntary separations by taking full advantage of attrition, incentives, and other drawdown tools. Our experience indicates that reductions that much exceed that annual percentage would likely require a large number of involuntary separations. However, even at or below 2.8% per year, we can expect some reductions-in-force (RIFs), particularly in closure situations. For your information, foreign national employees are being reduced at about twice the rate of our U.S. citizen employees.

Finally, and perhaps most importantly, the FYDP requires that the Military Departments and Defense Agencies submit detailed civilian rightsizing plans that specify, insofar as possible, the numbers, kinds, and locations of employees surplus by reduced missions, programs, and infrastructure. Expected reduction schedules are also required.

This more deliberate, strategic approach to civilian employment planning is something long advocated by this Subcommittee, and soon after he became Deputy Secretary last year, Dr.

Perry established this requirement as an integral part of the PPBS process. Component plans are now being developed for the remainder of FY94 and beyond; upon OSD approval of its rightsizing plan, a Component will be freed from DoD hiring restrictions. These plans will necessarily leave considerable discretion to our line commanders and managers in order to meet local exigencies.

Once our FY95-99 rightsizing plans are in place, they must be executed effectively and humanely. From the beginning of our civilian drawdown in October of 1989, we have tried to insure that civilian reductions are balanced (in terms of skills, diversity, and other factors); at the same time, DoD installations have done everything in their power to minimize involuntary separations and assist those employees who may be adversely affected by the drawdown. Based upon our success to date, we believe that we can continue to do so.

A little over four years ago, the Department employed about 1.12 million civilians. Today, that number is something less than 920,000 -- a reduction of about 200,000 employees, with fewer than 15,000 involuntary separations! How have we been able to do this? Through Civilian Assistance and Re-Employment (CARE), a combination of hiring restrictions, voluntary separation incentives, and comprehensive outplacement and retraining programs. Let me give you a brief overview of each of these elements.

Since FY90, DoD has imposed Department-wide restrictions on external hiring. These restrictions take full advantage of our 6-8% annual attrition to achieve net reductions in the least painful way possible. At present, Components can replace only two of every five employees who leave DoD rolls, although certain exceptions are permitted. Of the 200,000 civilians reduced so far, about 153,000 left through normal attrition.

Unfortunately, even with VSIP many installations must face RIFs, but our efforts do not stop when we issue separation notices. With the Department of Labor's assistance, we continue to use Job Training Partnership Act (JTPA) programs to retrain separating DoD employees for jobs in their communities. In addition, our internal Priority Placement Program (PPP) gives involuntarily separated employees placement rights to vacant positions within the Department, so long as they have the requisite skills, with any relocation costs paid by DoD.

The good news, given the extent of our drawdown, is that monthly PPP placements are at an all-time high. Last year, we placed 6,000 employees, and 4,500 already this year; in March alone we placed 978 surplus employees, largely because we have been able to use VSIP to create additional placement opportunities for those who have been displaced. PPP is complemented by the Defense Outplacement Referral System (DORS), a joint DoD-Office of Personnel Management initiative designed to facilitate voluntary placement of surplus DoD employees in other Federal agencies (we placed almost 1,000 so far and average about 60 a month), as well as with state and local governments and private employers.

Our CARE program includes a number of other initiatives that are intended to minimize the adverse effects of the drawdown. For example, we give qualified DoD employees a "right of first refusal" to jobs with caretaker contractors at closing installations. We also offer to pay other Federal agencies up to \$20,000 in relocation expenses for every one of our surplus employees they hire. And we operate a "job exchange" that allows employees at closing bases literally to trade places with qualified retirement-eligible workers from other installations who want to relocate. All of these efforts add up to keeping faith with our employees.

What will the future bring? As I have stated, the Department expects to bring appropriated fund civilian employment down to about 795,000 by the end of FY99, approaching

However, while these figures are impressive, they do not tell the whole story. Most of our attrition has been concentrated among clerical, blue collar, and temporary workers, resulting in skills imbalances that in some cases could only be rectified by RIF. Recognizing this, the Congress -- with the leadership of this Subcommittee -- worked closely with the Department to craft a Voluntary Separation Incentive Pay (VSIP) program that could be targeted at those skills imbalances before they engendered a RIF.

Included in the FY93 Defense Authorization Act, VSIP has been a remarkable success. During this past fiscal year, DoD Components were able to reduce civilian employment by 70,000 (compared to a budgeted reduction target of about 42,000 for that period), effectively using VSIP to "buy out" almost 32,000 employees with retirement and resignation incentives of up to \$25,000; only 2,000 workers had to be involuntarily separated in FY93. It is worth emphasizing that but for VSIP, we would have added many thousands of employees to the casualty list, because of declining workload and other factors and the Subcommittee deserves much of the credit for helping DoD avoid the trauma that would have otherwise resulted.

VSIP has benefited DoD in other ways. Many of our female and minority employees tend to have less seniority, and under the government's current RIF rules, they would be the first to lose their jobs in a reduction-in-force. However, almost 85% of our incentive takers had enough seniority to retire (41% took early retirement and 43% regular), thus saving their more junior co-workers from possible RIF. As a consequence, we have been able to preserve the diversity of our workforce despite the massive reductions to date. In addition, our incentive takers had a mean pay grade higher than the Department's average; as they leave, they counteract some of the effects of our hiring restrictions, thus contributing to DoD's streamlining efforts.

the smallest Defense Department in its relatively short history. And we think can do this with a minimum of involuntary separations (we estimate about 5,000-7,000 per year) if we have the necessary tools.

Clearly, VSIP is critical to this effort, but our statutory authority to offer it expires at the end of FY97; the Administration plans to propose legislation to extend that authority for an additional two years. We are also analyzing other alternatives to assist in the retraining and relocation of surplus civilian employees, particularly for jobs outside the Federal government.

Even as we dramatically reduce the size of the DoD civilian workforce, we must also reinvent the way we manage our employees. We expect to take full advantage of the flexibilities promised by the National Performance Review and have already begun to design our "next generation" civilian human resource management system. In this regard, we have begun to actively engage our employees and their union representatives as partners in this effort, something we believe is essential to meeting the historic challenges ahead. And we know that the Congress, especially this Subcommittee, is ready to help. Consequently, while we face a turbulent and trying future, we can do so with considerable confidence.